



May 24, 2016

BPCE SA

Report prepared in accordance with Article 266 of the Decree of November 3 relating to the internal control of companies in the banking, payment services and investment services sector, subject to the supervision of the Autorité de Contrôle Prudentiel et de Résolution (ACPR - the French Prudential Supervisory Authority for the Banking and Insurance Sector) – 2015

Staff pay policy and practices pursuant to Article L. 511-71 of the French Monetary and Financial Code

1. Description of the pay policy in force at the company

This pay policy upholds the principles of the pay policy applied on the Group level.

The pay policy for Groupe BPCE employees is a key instrument in the implementation of the Group's strategy. It is intended to serve as an incentive and to be competitive in view of practices observed on the market (local and business line across various activities) in order to attract talent and to retain and motivate employees.

It also aims to be fair so that equitable pay within the company for collective and individual performance is ensured.

The policy complies with regulations governing the banking and financial sector.

Surveys on pay are carried out regularly by specialized firms to verify that the various components of pay are in line with market practices and to launch any required remedial actions.

To achieve this, each Group company conducts an annual analysis and revision of individual pay and its development in view of performance and the fulfillment of objectives. Budgets for reassessments and pay equity adjustments, intended to ensure adherence to the principle of gender equality in the workplace, are implemented if deemed necessary.

BPCE SA's salaried employees receive fixed pay based on their status as defined in the bank's collective agreement and their level of responsibility.

They receive a variable pay component, which is entirely based on individual objectives determined on the basis of their position or entity.

The variable component is capped at 8% of fixed pay, except for employees with a variable pay clause in their contracts. In such cases, variable pay is capped at 60%.

The target variable component for employee members of the Executive Management Committee is 80%, as is the target variable component for Management Board members.

Employees also benefit from a profit-sharing system, capped at 12% of payroll.

2. Decision-making procedure used to determine the pay policy

The Remuneration Committee is composed of the Chairmen of the Boards of Directors of Banque Populaire banks, the Chairmen of the Steering and Supervisory Boards of Caisses d'Épargne, a Chief Executive Officer of a Banque Populaire bank, a Chairman of the Management Board of a Caisse d'Épargne, an elected employee representative on the Supervisory Board and an independent director.

The Committee is chaired by an independent director in compliance with the recommendations of the Corporate Governance Code for listed companies amended in November 2015 by the French Private Companies Association (AFEP) and the French Business Confederation (MEDEF).

The members of the Committee cannot be corporate officers of BPCE.

Chaired by Maryse Aulagnon, Chairman and Chief Executive Officer of Affine and an independent director, the Committee is also composed of the following members (as of December 31, 2015):

- ✓ Catherine Amin Garde, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Loire Drôme Ardèche
- ✓ Astrid Boos, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Alsace
- ✓ Pierre Desvergnès, Chairman of the Board of Directors of CASDEN Banque Populaire
- ✓ André Joffre, Chairman of the Board of Directors of Banque Populaire du Sud
- ✓ Didier Patault, Chairman of the Management Board of Caisse d'Épargne Ile-de-France
- ✓ Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris
- ✓ Vincent Gontier, employee of NATIXIS

The Committee met five times to discuss pay in 2015.

It conducted a review of:

- the principles of the pay policies of the company and Group;
- pay, remuneration and benefits of any kind granted to the company's corporate officers;
- pay attributed to the Head of Risk Management and Head of Compliance.

The Remuneration Committee expressed its view on the proposals of Executive Management concerning "risk takers" and on the principles of the pay policy for this group of employees.

3. Description of the pay policy

3.1 Composition of the regulated population ("risk takers")

In accordance with Delegated EU Regulation No. 604/2014, Groupe BPCE companies are required to identify the categories of personnel whose professional activities have a material impact on the institution's risk profile.

The delegated regulation establishes qualitative and quantitative criteria in this regard.

Articles 198 to 201 of the Decree of November 3, 2014 relating to the internal control of companies in the banking, payment services and investment services sector, which are subject to the supervision of the Autorité de Contrôle Prudentiel et de Résolution, establish the procedure for enforcing rules related to pay policy for entities according to their size and internal organization as well as the nature, scale and complexity of their activity.

Thus, within the Group, the criteria for identifying risk takers:

- are applicable to credit institutions, financing companies and investment firms with a balance sheet total above €10 billion on an individual, consolidated and sub-consolidated basis;
- are applicable to credit institutions, financing companies and investment firms with a balance sheet total under €10 billion, but only on the Group level;
- are not applicable to asset management companies, portfolio management companies, insurance companies or reinsurance companies;
- are applicable to other Group companies whose balance sheet total is above €10 billion or whose activities incur risks to the Group's solvency or liquidity, but on a consolidated basis only.

For BPCE SA, a credit institution with a balance sheet total above €10 billion, the following were identified on the basis of the various criteria:

- the members of the Management Board;
- the members of the Supervisory Board;
- the members of the Executive Management Committee;
- the Heads of each of the three control functions and their immediate subordinates;
- the Heads of the following support functions: legal, finance, budget, tax, human resources, pay policy, information technology and economic analysis;
- the permanent decision-making members of the following finance and risk management committees:
 - o Group Strategic ALM Committee,
 - o Group Management and Accounting Standards and Methods and Oversight Committee,
 - o BPCE Group Risk Management Committee,
 - o Group Watchlist and Provisions Committee,
 - o Group Risk Management Standards and Methods Committee,
 - o Group Operational Risk Management Committee,
 - o BPCE Project Committee,
 - o Group Operational Risk Management Committee,
 - o Investor Relations Strategy Committee,

- o BPCE SA Risk Management Committee,
- o Caisses d'Épargne Credit Risk Management Committee,
- o Banque Populaire Credit Risk Management Committee,
- o Group Credit Committee,
- o Group Market Risk Management Committee,
- o Review and Validation Committee for New Groupe BPCE Products (CEVANOP).

For all of these committees, members external to BPCE SA are identified according to their company;

- Employees who can commit at least 0.5% of BPCE SA's Common Equity Tier-1 capital, calculated on a consolidated basis;
- The managers of the above employees;
- Employees whose pay for 2014 (fixed + variable) was equal to or higher than €500,000;
- Employees whose pay for 2014 (fixed + variable) was among the top 0.3%. This figure was calculated on the basis of the headcount of BPCE SA.

In total, 19 members of the Supervisory Board and 54 positions at BPCE SA (company directors and employees) were identified. Employees pro-rated by period (if position was taken or given up during the year) total 70,000.

This list was approved by the Compliance and Risk Management Divisions. It is subject to approval by the Executive Management Committee.

3.2 General principles of the pay policy

It is advisable to make a distinction between three categories of employees within the regulated population:

The members of the Supervisory Board

Their pay is composed exclusively of attendance fees and (for the Chairman) a duty allowance, both of predetermined value. They do not receive any variable pay as part of their mandate.

The Management Board and Deputy Chief Executive Officer, who constitute the Executive Management Committee

On the advice of the Remuneration Committee, the Supervisory Board decided not to modify the fixed or variable components of the pay awarded to the Chairman and members of the Management Board for 2015, i.e.:

- for the fixed component,
 - €550,000 for the Chairman of the Management Board (plus a maximum housing allowance of €60,000, which is currently not being paid to the Chairman of the Management Board),
 - €500,000 for the members of the Management Board, with the exception of Laurent Mignon, who receives no pay for his duties at BPCE SA.

- for the variable component,
 - for the Chairman of the Management Board, a target variable component of 150% (maximum 200% in the event of outperformance);
 - for the other members of the Management Board, a target variable component of 80% (maximum 100% in the event of outperformance).

Variable pay for 2015 will be paid only if the following condition is fulfilled in 2015:

the Group's Basel 3 Common Equity Tier-1 ratio (COREP regulatory vision, namely phase-in arrangements) is greater than 9% at December 31, 2015, with minimum CET1 capital of €35.8bn, or the regulatory minimum required under ECB Pillar 2.

The objectives are assessed on quantitative criteria, representing 60% of variable pay, and on qualitative criteria, representing 40%.

- Quantitative criteria: Net income attributable to equity holders of the parent (30%), cost/income ratio (20%) and net banking income (10%). These criteria are restated to offset the impact of the revaluation of own debt.
- Qualitative criteria, representing 40%, with four criteria each worth 10%: Finances/Operations/Risk Management, Business Development, Governance and Human Resources.

The Deputy Chief Executive Officer's variable pay is determined in identical fashion to that of the members of the Management Board.

Other employees

Other employees receive fixed pay on the basis of their status ("K" or "HC" in the bank's collective agreement) and their level of responsibility.

Employees classified as "HC" are company directors and receive fixed pay of between €150,000 and €250,000, except for those who are members of the Executive Committee, for whom the pay range is from €200,000 to €300,000.

All receive a variable component under their contracts, with a maximum percentage of 20% to 30% for those classified as "K", 30% to 50% for company directors classified as "HC" (excluding members of the Executive Committee) and 40% to 60% for members of the Executive Committee.

In all cases, the variable component is based on individual objectives determined on the basis of their position or entity.

In addition, for all employees of BPCE SA, the variable component may not exceed 100% of fixed pay, with the exception of the Chairman of the Management Board.

3.3 Policy regarding the payment of variable pay to the regulated population

In accordance with Articles L. 511-71 to L. 511-85 of the French Monetary and Financial Code, the policy with regard to the payment of variable pay (schedule, percentage paid in shares, penalties) is as follows:

Proportionality

The rules governing the payment of variable pay apply only when the variable pay attributed is equal to or greater than the threshold of €100,000.

If the variable pay is equal to or greater than this threshold, the rules governing the payment of variable pay apply to the full variable pay amount.

Deferred and conditional payment of a portion of variable pay

The payment of a portion of the variable pay awarded for a fiscal year is deferred over time and conditional.

In the event of death or retirement, the non-vested deferred portion vests immediately, net of any penalties.

This payment is staggered over the three years that follow the year in which the variable pay was awarded, paid in one-third installments.

Amount of deferred variable pay

The percentage of deferred variable pay corresponds to 50%, and is increased to 60% if the variable component is equal to or greater than €500,000 and 70% if it is equal to or greater than €1,000,000.

Payment in securities or equivalent instruments

As BPCE SA is not a listed company, the deferred component of the variable pay takes the form of cash indexed on the basis of an indicator representing the change in the value of Groupe BPCE shares.

The indicator used is net income attributable to equity holders of the parent, assessed as a rolling average over the last three calendar years preceding the year pay is awarded and the years it is paid.

The indexing factor for the portions of the variable components awarded for 2012 and deferred to 2016 is 1.0893.

The indexing factor for the portions of the variable components awarded for 2013 and deferred to 2016 is 1.1905.

The indexing factor for the portions of the variable components awarded for 2014 and deferred to 2016 is 1.1121.

On account of the minimum additional retention period required by regulation, the conditional payment of the deferred portion of the variable component for year N is paid, at the earliest, on October 1 of years N+2, N+3 and N+4.

Application of penalties

Pursuant to Article L. 511-83 of the French Monetary and Financial Code, the Supervisory Board ruled, acting on a proposal by the Remuneration Committee, that the deferred pay portion would be paid only if normative ROE for the Group's core businesses was greater than or equal to 4%.

4. Aggregate quantitative information

Table 1

Aggregate quantitative information on pay, broken down by area of activity

Article 450 g) of EU Regulation No. 575/2013

	Management body executive function	Management body supervisory function	Investment banking	Retail Banking	Asset Management	Support functions	Independent control function	Other	Total
Headcount	4.9	18.3				28.2	18.6		70.0
Fixed pay	€1,988,889	€920,631				€5,566,987	€3,068,177		€11,544,684
Variable pay	€1,981,568	€0				€1,956,032	€786,730		€4,724,330
Total pay	€3,970,457	€920,631	€0	€0	€0	€7,523,019	€3,854,907	€0	€16,269,014

(*) pro-rated data

Table 2**Aggregate quantitative information on pay, broken down by employee category (managers and staff members whose activities have a material impact on the institution's risk profile)**

Article 450 h) of EU Regulation No. 575/2013

	Management body	Other	Total
Headcount	23.1	46.8	70.0
Total pay	€4,891,088	€11,377,926	€16,269,014
- of which fixed pay	€2,909,520	€8,635,164	€11,544,684
- of which variable pay	€1,981,568	€2,742,762	€4,724,330
- of which non-deferred	€908,038	€2,228,250	€3,136,288
- of which cash	€908,038	€2,228,250	€3,136,288
- of which shares and equivalent instruments	€0	€0	€0
- of which other instruments	€0	€0	€0
- of which deferred	€1,073,530	€514,512	€1,588,042
- of which cash	€0	€0	€0
- of which shares and equivalent instruments	€1,073,530	€514,512	€1,588,042
- of which other instruments	€0	€0	€0
Amounts outstanding on variable pay awarded for previous years and not yet vested	€1,147,962	€392,906	€1,540,868
Amount of variable pay awarded for previous years and already vested (after reduction)	€1,003,206	€272,270	€1,275,476
- Value of reductions performed	€0	€0	€0
Severance pay granted	€1,175,180	€0	€1,175,180
Number of recipients of severance pay	1	0	1
Highest severance pay granted	€1,175,180	€0	€1,175,180
Signing bonuses	€0	€0	€0
Signing bonus recipients	0	0	0

(*) pro-rated data

Table 3

For 2015, only one employee received total pay (fixed + variable) that exceeded €1 million. Furthermore, this pay was below €1,500,000.

Anne Mercier-Gallay, a member of the Management Board until November 16, 2015, received total pay of €1,965,798, if severance pay of €1,175,180 is included.

5. Information on individuals

For 2015, total individual pay was as follows:

- Chairman of the Management Board: €1,377,457
- For Anne Mercier-Gallay, whose term of office ended on November 16, 2015, €790,618 plus severance pay of €1,175,180.
- Every other member of the Management Board (with the exception of Laurent Mignon): €901,191
- Laurent Mignon: €0
- Head of Risk Management:
 - €137,166 for the person holding this position until May 3, 2015
 - €454,990 for the person holding this position from May 4, 2015
- Head of Compliance: €328,998